



Trust Funds

New Mexico has established a suite of trust funds seeded with one-time revenue surpluses that are invested and generate income over time. New Mexico, with an economy closely tied to the volatile oil and gas industry, is particularly susceptible to wide swings in income, and the intent is to turn extraordinary one-time income into more predictable, longer-term revenue for the beneficiaries of the trusts, including early childhood education, higher education, behavioral health, water infrastructure, and conservation, as well as broad state uses.

Fund Management

The State Investment Council invests and manages the trust funds—as well as the multibillion-dollar land grant and severance tax permanent funds and the tax stabilization reserve—by applying investment strategies that balance risk and return. The funds grow through investment returns, legislative appropriations, settlement proceeds, and revenues. Annual distributions support targeted programs while preserving the fund corpus for the future.

For most funds but not all, distributions to the beneficiaries are based on a certain percentage of a multiyear average of the value of the fund. That approach “smooths” out withdrawals from the funds, ensuring the amount coming out is relatively predictable regardless of booms or busts in the revenue source or investment returns. Further, the expectation is that investment returns will exceed withdrawals and the fund, and its distributions, will grow over time.

The Major Trust Funds

For the following funds, distributions are based on a percentage of a multiyear average market value unless noted.

The **early childhood trust fund** was launched in 2020 with a \$300 million appropriation to provide permanent support for early childhood education and care. Capitalized by excess severance tax revenues and federal mineral leasing receipts, annual distributions flow to a program fund to support childcare, prekindergarten, and family services.

The **water trust fund**, created in 2006 with \$40 million in seed money and an additional \$15 million the following year, is a constitutionally protected endowment for long-term water security. The fund distributes \$4 million a year to the water project fund, managed by the New Mexico Finance Authority, to finance water supply projects, watershed restoration, and reuse initiatives. The fund could be depleted by 2045 without additional capital or a change in its distribution.

Established in 2019 with \$1 million and subsequently appropriated additional millions, the **rural libraries endowment fund** supports rural and tribal libraries. Five percent of earnings are distributed to the rural libraries program fund, providing about \$1 million a year in grants to libraries.

Created in 2023 with \$50 million with another \$300 million

added in 2024, the **conservation legacy permanent fund** is a long-term endowment for outdoor recreation and natural resource projects. Distributions flow to the land of enchantment legacy fund and are earmarked for multiple agencies.

The **opioid settlement restricted fund**, established in 2023, is financed directly with the state’s share of settlements with drug makers and distributors. Fifty-five percent of the settlements are designated for local governments. The state’s 45 percent share is invested by the council, and distributions flow to the opioid crisis recovery fund for prevention, treatment, recovery, and harm reduction programs.

The **tobacco settlement permanent fund** was created in 2000 with payments from big tobacco companies. Until 2024, the fund was part of the general fund reserve and any amount could be appropriated for treatment, prevention, and cessation programs. Now, distributions are a percentage of a multiyear average market value.

The **higher education trust fund**, created in 2024 with a nearly \$1 billion transfer from the tax stabilization reserve, generates revenue for college affordability, including the opportunity and lottery scholarships.

Created in 2025 with a \$300 million from the general fund, the **Medicaid trust fund** is intended to stabilize state Medicaid spending. It is capitalized further by general fund revenues reverted by state agencies and a temporary share of federal mineral leasing receipts. Funds will flow to the Medicaid program once the fund reaches \$500 million.

Created in 2025, the **behavioral health trust fund** was seeded with a \$100 million general fund appropriation to provide permanent support for behavioral health services. Additional revenues include a temporary share of excess severance tax revenue. Distributions support the behavioral health program fund, which finances treatment services and system capacity.

For More Information:

- The State Investment Council website is www.sic.state.nm.us. Its holdings report is [here](#).
- LFC tracks the performance of the early childhood trust fund in its quarterly investment report [here](#).
- More information on state investment funds are in the *Finance Facts* on the permanent funds and public employee pensions. All *Finance Facts* are available [here](#).